**Directions:** Use your class notes, discussions and handouts to complete the study guide.

**Terms to know- define the following**

1. Opportunity cost Opportunity cost refers to a benefit that a person could have received, but gave up, to take another course of action.
2. Trade-off Compromise
3. Scarcity lack of/limited resource
4. Good physical objects that are produced to sell or trade (electronics, clothing, furniture)
5. Service citizens use skills to provide services (hairstylist, teacher, doctor, mechanic)
6. Production Possibilities Frontier graph that demonstrates the opportunity cost of producing 2 products
7. 3 essential questions each economy must answer WHAT to produce? HOW to produce it? WHOM to produce it for?
8. Factors of production land, labor, capital, entrepreneurship

1. Command Economy Characterized by low unemployment rates

Who decides what to produce? The government will decide based upon potential profit

Who decides HOW to produce goods/services? The government decides. All citizens will be told what job they will be preforming

For whom to produce? Who decides this? The government regulates the prices and the consumers

2. Market Economy Entirely driven by profit

Who decides what to produce? Individuals/entrepreneurs will decide based upon profit potential and supply and demand

Who decides HOW to produce goods/services? Individuals

For whom to produce? Who decides this? Consumers

3. Traditional Economy Amish, Inuit, Native American Indians, Papua New Guinea

Who decides what to produce? The individuals will decide based upon their skills and trade needs

Who decides HOW to produce goods/services? Jobs are handed down by family members. Individuals produce what they know how to produce. Example- a carpenter will teach his son; his son will teach his son= generations of carpenters.

For whom to produce? Who decides this? trade

4. Mixed Economy

Who decides what to produce? A combination of both the government and the individual entrepreneurs

Who decides HOW to produce goods/services? Production will be decided by whatever process will maximize profits. New technology is often times created to fill this need.

For whom to produce? Who decides this? Consumers. The market is driven by supply and demand.